

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 96 – HB 85

March 16, 2015

SUMMARY OF ORIGINAL BILL: Authorizes the Commissioner of General Services, through the Tennessee Real Estate Asset Management (STREAM) Division, to publish advertisements for needed lease space for any state department or agency on the Central Procurement Office's website at least two weeks before proposals are opened. Increases, from \$25,000 to \$50,000, the amount of a lease for which advertising is not required.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – The reduction of published advertisements resulting from the provisions of the bill is unknown. Each lease that does not require a published advertisement will result in decreased state expenditures of \$1,250.

SUMMARY OF AMENDMENT (004353): Deletes all language after the enacting clause. Defines entity as any state agency, department, or institution of higher education of the state. Authorizes an entity's state procurement agency, to publish advertisements for needed lease space on such entity's website at least two weeks before proposals are opened. Increases, from \$25,000 to \$50,000, the amount of a lease for which advertising is not required. Advertising is not required for (1) lease renewals where the right to renew and the rates for such renewal rate was included in the original lease (2) extensions to the term of a lease by one year or less beyond the expiration date set forth in the original lease; or (3) other amendments to the lease required by State Building Commission policies.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – The reduction of published advertisements resulting from the provisions of the bill is unknown. Each lease that does not require a published advertisement will result in decreased state expenditures of \$2,000.

Assumptions for the bill as amended:

- Currently, advertising for needed lease space is posted in a newspaper of general circulation in the city or county where the space is needed at least two weeks before proposals are opened. The state department or agency requesting the space pays for the cost of advertising in the newspaper.
- Advertising leases on the appropriate entity's website will not have a significant fiscal impact. Any increase in costs can be accommodated within existing resources.

- According to the Department of General Services, the Department advertised 31 leases at a cost of \$38,750 in 2014.
- Increasing the amount of a lease for which advertising is not required may reduce the number of published advertisements that are required annually. While it is not known how many leases would fall under the increased threshold for not requiring published advertising, on average each lease that does not require published advertising will reduce state expenditures by \$1,250 ($\$38,750 / 31$ leases).
- According to the Tennessee Higher Education Commission, there are approximately three public advertisements in any given year with an average cost of \$750.
- Each lease that does not require published advertising as a result of the increased threshold will reduce expenditures by \$2,000 ($\$1,250 + \750).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

/lsc